RAJYA SABHA

Tuesday, the 29th March, 1988/9 Chaitra, 1910 (Saka)

The House met at eleven of the clock, **Mr. Chairman** in the Chair.

ORAL ANSWERS TO QUESTIONS

Abolition of Sales Tax in Delhi

*481. SHRI ATAL BIHARI VAJPAYEE:†
SHRI KAILASH PATI MISHRA:

Will the Minister of HOME AFFAIRS be pleased to state:

(a) whether there has been a public demand for the abolition of sales tax in Delhi; and

(b) if so, what steps have been taken in this regard during the last five years?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND THE MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS (SHRI P. CHIDAMBARAM): (a) and (b) A Statement is laid on the Table of the House.

Statement

Demands have been raised from time to time by some Trade Associations and Members of Metropolitan Council seeking partial/complete abolition of sales-tax in Delhi. A Resolution was passed by Metropolitan Council on 28th December, 1977 seeking abolition of sales-tax in the Union Territory of Delhi; replacing it by an appropriate additional excise duty etc. The matter was considered by the Government of India and it was felt that it would neither be desirable nor practicable to replace sales-tax by excise duty in the Union Territory of Delhi alone.

In July, 1984 a Resolution was passed by the Metropolitan Council that sales-tax be abolished in the Union Territory of Delhi and, pending that, sales-tax should be levied at first point. Consequently, in May, 1986, some more items were brought at first point tax.

SHRI ATAL BIHARI VAJPAYEE: Sir, this question of replacement of sales tax by additional excise duty has been hanging fire since 1977. In 1981, a Committee was appointed under the Chairmanship of Shri Kamlapati Tripathi which recommended that on certain commodities like vanaspati, drugs, medicines, cement; paper board and petroleum, sales tax should be replaced by excise duty, but no further progress has been made in that direction since then. Sir, I would like to know from the hon. Minister whether he agrees with the proposition that sales tax breeds corruption, it encourages evasion and if so, what stands in the way of replacing sales tax by excise duty, particularly in view of the clear commitment made by the ruling party in 1983 in Delhi elections?

SHRI P. CHIDAMBARAM: Sir, the general policy question of replacing sales tax by excise duty is dealt with by the Ministry of Finance as the hon. Member is aware. It is true that a Committee under the Chairmanship of Shri Kamlapati Tripathi submitted a report on 29th January, 1983. This was considered in the conference of the Chief Ministers held on 2nd November, 1983. A large number of Chief Ministers indicated their acceptance of the scheme with or without reservations. However, some other Chief Ministers said they were not in a position to accept the scheme recommended by the Tripathi Committee. Sales tax is a State subject. The power of taxation is with the State.

†The question was actually asked on the floor of the House by Shri Atal Bihari Vajpayee.

The Finance Ministry, I believe, are still trying to persuade all the States to agree to replacing sales tax with excise duty. But this cannot be done without the agreement of all the States.

As regards sales tax breeding corruption, Sir, I share the hon. Member's views but I cannot accept the sweeping statement that sales tax breeds corruption all around. There is, of course, some amount of corruption in sales tax. It is for that reason that in Delhi, we are tryiny to pursue the idea of replacing sales tax by additional excise duty. But the Finance Minister in the Janata Party Government himself took the view that you cannot do it for Delhi alone. Then it will mean other complications in the neighbouring States and unless neighbouring States follow the same pattern, it is not possible to replace sales tax by excise duty in Delhi alone. That is why as a first measure we have brought a number of items to single point sales tax at the point of first sale. That is a step forward. But sales tax cannot be abolished in Delhi unless the neighbouring States also follow the same pattern.

SHRI ATAL BIHARI VAJPAYEE: Sir, I am inclined to agree with the hon. Minister that sales tax cannot be replaced by excise duty in Delhi alone but if the Central Government wants, it can reduce the Central Sales Tax which is levied by the Central Government and States have no say in the matter. The Central Sales Tax used to be 1 per cent but subsequently, it was raised to 4 per cent. I would like to know from the hon. Minister whether reduction of the Central Sales Tax has been considered by the Government. Secondly, a constructive suggestion has been made by various traders' organizations that sales tax should be replaced by turn-over tax. If one per cent of turn-over tax is levied on the shopkeepers, then sales tax can be replaced and corruption minimised.

SHRI P. CHIDAMBARAM: Sir, as far as Central Sales Tax is concerned, it is a well-known measure to raise more revenue and Central Sales Tax is now pegged at four per cent. We can look into any individual suggestion regarding individual commodities whether the taxation under Central Sales Tax is nigh. But reducing or abolishing Central Sales Tax, while keeping the local sales tax, is not going to make any change to the machinery or to the charge of corruption you are laying against some officers. As far as turn-over tax is concerned, I am not aware of the implications of the suggestions. I will have it looked into and inform the hon. Member.

SHRI VISHWA BANDHU GUPTA: Mr. Chairman, Sir, I would like to support Atal Bihariji on the abolition of sales tax in Delhi. This matter has been actually hanging fire for a long time. Not only that. All political parties, including the Congress party, have made the suggestion that it must be abolished. I would like to know from the hon. Minister whether all trade organizations and political parties have indicated their desire that this should be abolished. Is it necessary that all the States in India should first agree to the abolition of sales tax and then only Delhi will be considered? Or is it possible to have it considered just by Haryana or Punjab or any neighbouring State like U.P.? Is it possible to make a beginning with Delhi with regard to sales tax abolition because this is a very important matter for the trading community in Delhi?

SHRI P. CHIDAMBARAM: Sir, it is true that a large number of trade associations and practically all political parties have supported the demand to abolish the sales tax in Delhi and replace it by excise duty. Sir, on the second part of the question whether for Delhi alone it could be done, I wish to reiterate that it cannot be done in Delhi alone. In fact, it can be done only if all the neighbouring States which have common borders with Delhi follow the same pattern. Sir, in this connection, I

would like to quote Shri H. M. Patel, the then Finance Minister, who said:

"The State Governments have so far shown lack of enthusiasm to this proposal. I propose to pursue the matter with them. But you will agree that a measure like this can be introduced on All-India basis only. It would not be desirable or even practicable to replace sales tax by excise duty in the Union Territory of Delhi alone. Such a course would almost certainly lead to economic and other administrative complications of a serious nature."

श्री चतुरानन मिश्र : सभापति महोदय, मैं सरकार से यह जानना चाहता हूं कि क्या इस बात की कोशिश की गयी है कि हरेक राज्य में एक ही किस्म का कामन सेल्स टैक्स हो ? क्योंकि एक ही चीज पर किसी राज्य में एक सेल्स टैक्स होता है और दूसरे राज्य में दूसरा । यदि इस बारे में कोशिश नहीं की गयी है तो क्या सरकार आगे कोशिश करेगी ?

SHRI P. CHIDAMBARAM: Sir, sales tax is a State subject. It is not possible to evolve a commonality or uniformity in a matter which falls entirely within the jurisdiction of the States. However, the question whether the Finance Ministry is taking up this matter with the States so that there will be a common rate of sale tax on any commodity is a matter which the hon. Member may address to the Finance Minister.

SHRI CHATURANAN MISHRA: Has the Government made any such attempt in the past in this direction? Has it consulted the States on the question whether there should be a common sales tax or not?

MR. CHAIRMAN: The Home Ministry is concerned with Delhi only. It is not concerned with sales tax in the whole of India. It is limited to Delhi.

SHRI CHATURANAN MISHRA: It is limited to Delhi. But if Delhi does it, it will have its repercussions in the whole of the country. That is why I have put this question.

SHRI P. CHIDAMBARAM: He should address the Finance Minister.

SHRI BIR BHADRA PRATAP SINGH: Mr. Chairman, Sir, if it is not possible for the hon. Minister to replace it why can't he make this taxation uniform? Apart from double incidence, it has a double system of levy in Delhi. In certain cases they say it is inclusive and in certain other cases they charge it. So, the consumers suffer a great deal because there is confusion and the State Exchequer is losing. Why can't you make it uniform? Why can't you do away with this duplicity?

SHRI P. CHIDAMBARAM: I am not sure what the hon. Member desires to know. But in Delhi we have both the local sales-tax as well as the Central Sales-tax. They are under two different enactments. As far as the local sales-tax is concerned, there is no multi-point sales-tax in Delhi. It is either at the point of first sale or at the point of last sale. I am not aware of any commodity which suffers multi-point sales-tax. If the hon. Member brings it to my notice, I will look into it. The sales-tax is either at the first point or at the last point of sale.

Report of Tiwari Committee on Environment

*482. SHRI BIR BHADRA PRATAP SINGH:†
SHRI BHAGAT RAM MANHAR:

Will the Minister of ENVIRONMENT AND FORESTS be pleased to state:

(a) whether it is a fact that Tiwari Committee on Environment has submitted its report to Government;

†The question was actually asked on the floor of the House by Shri Bir Bhadra Pratap Singh.